

**PRAIRIE LAKES
AREA EDUCATION AGENCY 8**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2009

CONTENTS

OFFICIALS		1
INDEPENDENT AUDITOR'S REPORT		2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)		4-10
BASIC FINANCIAL STATEMENTS		
	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	11-12
Statement of Activities	B	13
Governmental Fund Financial Statements:		
Balance Sheet – Governmental Funds	C	14
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets		
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	D	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	E F	16 17
Notes to Financial Statements		18-29
SUPPLEMENTARY INFORMATION		
	<u>Schedule</u>	
Required Supplementary Information:		
Schedule of Revenues, Expenditures/Expenses, and Changes in Balances – Budget and Actual – All Governmental Funds		30
Note to Required Supplementary Information – Budgetary Reporting		31
Schedule of Funding Progress for the Retiree Health Plan		32
Other Supplementary Information:		
Nonmajor Governmental Fund:		
Balance Sheet	1	33
Schedule of Revenues, Expenditures and Changes in Fund Balances	2	34
Schedule of Revenues by Source and Expenditures by Function – All Government Funds	3	35
Schedule of Expenditures of Federal Awards	4	36-37

CONTENTS
(Continued)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	38-39
<hr/>	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	40-41
<hr/>	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	42-44

PRAIRIE LAKES AREA EDUCATION AGENCY 8

OFFICIALS

<i>NAME</i>	<i>TITLE</i>	<i>TERM EXPIRES</i>
Board of Directors		
Dean Saunders	President	2011
Ed O'Leary	Vice President	2009
Ramon Fisher	Member	2011
Steven Peterson	Member	2009
Bruce Bahnson	Member	2009
Gary Meyer	Member	2010
Rhonda Christensen	Member	2010
Linda Twait	Member	2009
Todd Lundgren	Member	2011
Agency		
Dr. L. Kay Forsythe	Chief Administrator	2009
Ginger Hoffman	Chief Administrator Assistant and Board Secretary	2009
Michelle R. Dowd	Director of Financial Services and Board Treasurer	Indefinite



SCHNURR & COMPANY, LLP

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Prairie Lakes Area Education Agency 8
Fort Dodge, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Prairie Lakes Area Education Agency 8 as of and for the year ended June 30, 2009, which collectively comprise the Prairie Lakes Area Education Agency 8's basic financial statements listed in the table of contents. These financial statements are the responsibility of Prairie Lakes Area Education Agency 8's officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Prairie Lakes Area Education Agency 8 at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U. S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2009 on our consideration of Prairie Lakes Area Education Agency 8's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, budgetary comparison information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10, 30 through 31 and page 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Prairie Lakes Area Education Agency 8's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schnurr & Company, LLP

Fort Dodge, Iowa
November 10, 2009

PRAIRIE LAKES AREA EDUCATION AGENCY 8

MANAGEMENT'S DISCUSSION AND ANALYSIS

Prairie Lakes Area Education Agency 8 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$24,091,883 in fiscal 2008 to \$25,890,566 in fiscal 2009. The increase in General Fund revenues was attributable to an increase in local and federal grant revenue in fiscal 2009. In addition, the Agency received \$1,036,866 in federal American Recovery and Reinvestment Act (ARRA), dollars in fiscal 2009.
- General Fund expenditures increased from \$23,792,818 in fiscal 2008 to \$25,541,988 in fiscal 2009. The increase in expenditures was due primarily to 1) an increase in services provided to the local school districts, and 2) an increase in personnel costs including negotiated salary and benefits contracts, including insurance increases. The Agency had additional expenditures of \$1,036,866 in fiscal 2009 pertaining to American Recovery and Reinvestment Act (ARRA) dollars.
- The Agency's General Fund balance increased from \$3,620,064 at the end of fiscal 2008 to \$3,720,124 at the end of fiscal 2009, a 2.76% increase. One reason the General Fund balance increased is because of the Agency's increase in General Fund revenue for fiscal 2009.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Government-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Prairie Lakes Area Education Agency 8 as a whole and present an overall view of the Agency's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reporting the Agency's Financial Activities

Government-wide Financial Statements

The government-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Agency's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Agency's net assets and how they have changed. Net assets – the difference between the Agency's assets and liabilities – are one way to measure the Agency's financial health or position. Over time, increases or decreases in the Agency's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the Agency's overall health, additional non-financial factors, such as changes in the Agency's property tax base and the condition of its facilities, need to be considered.

In the government-wide financial statements, the Agency's activities consist of the following:

- *Governmental activities:* Most of the Agency's basic services are included here, such as regular and special education instruction, student and instructional staff support services and administration. Local school districts, federal and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about the Agency's funds, focusing on its most significant or "major" funds – not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law or by bond covenants. The Agency establishes other funds to control and manage money for particular purposes, such as accounting for major construction projects or to show it is properly using certain revenues, such as federal grants.

The Agency has one kind of fund:

- Governmental funds account for most of the Agency's basic services. These focus on how cash and other financial assets readily converted to cash flow in and out and the balances left at year-end available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. The Agency's governmental funds include: 1) the General Fund, 2) the Special Revenue Funds and 3) the Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Prairie Lakes Area Education Agency 8's net assets at the end of fiscal 2009 totaled approximately \$6.4 million. This compared to approximately \$6.5 million at the end of fiscal 2008. The analysis that follows focuses on the net assets and changes in net assets.

CONDENSED STATEMENT OF NET ASSETS			
Governmental Activities			
	2009		2008
Assets			
Current and other assets	\$ 8,560	\$	7,411
Capital assets	5,726		5,859
Total assets	14,286		13,270
Liabilities			
Long-term liabilities	2,984		2,887
Other liabilities	4,860		3,895
Total liabilities	7,844		6,782
Net Assets			
Invested in capital assets, net of related debt	3,426		3,384
Restricted	345		364
Unrestricted	2,671		2,740
Total net assets	\$ 6,442	\$	6,488

The Agency's combined net assets decreased by .7%, or approximately \$45,738, from fiscal 2008. The decrease occurred primarily in governmental activities as a result of an increase in expenditures in fiscal 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following analysis details the changes in net assets resulting from the Agency's activities:

	CHANGES IN NET ASSETS	
	Governmental Activities	
	2009	2008
Revenues:		
Program revenues:		
Charges for service	\$ 1,046	\$ 838
Operating grants and contributions	13,672	12,353
General revenues:		
Property tax	5,709	5,611
State foundation aid	5,987	5,768
Unrestricted investment earnings	89	133
	<u>26,503</u>	<u>24,703</u>
Program expenses:		
Instruction	583	627
Student support services	11,872	16,589
Instructional staff support services	8,836	2,525
General administration	897	808
Business administration	972	689
Plant operations and maintenance	717	715
Central and other support services	2,566	2,593
Long-term debt interest	106	113
Total program expenses	<u>26,549</u>	<u>24,659</u>
Increase (decrease) in net assets	(46)	44
Net assets beginning of year	<u>6,488</u>	<u>6,444</u>
Net assets end of year	<u>\$ 6,442</u>	<u>\$ 6,488</u>

Property tax and state foundation aid account for 44% of the total revenue while operating grants and contributions from local, state and federal sources account for 55% of the total revenue. The Agency's expenses primarily relate to instruction and student and instructional support services, which account for 80% of the total expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities

Revenues for governmental activities were \$26,502,942 and expenses were \$26,421,357. In a difficult budget year, the Agency was able to provide services needed by local school districts and remain within budget.

INDIVIDUAL FUND ANALYSIS

As previously noted, Prairie Lakes Area Education Agency 8 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's governmental funds reported combined fund balances of \$4,065,709, above last year's ending fund balances of \$3,984,124. The primary reason for the increase in combined fund balances in fiscal 2009 was due to an increase in local and federal grant revenues, and the American Recovery and Reinvestment Act (ARRA) funds.

Governmental Fund Highlights

- The Agency's increasing General Fund financial position is the product of an increase in local and federal grant revenues and the American Recovery and Reinvestment Act (ARRA) funds.
- The General Fund balance increased from \$3,620,064 to \$3,720,124 due, in part, to the additional funds received from local and federal grants and the American Recovery and Reinvestment Act (ARRA) funds.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Agency amended its budget once to reflect additional revenue and expenditures associated with the additional services needed and provided to the local school districts.

The Agency's total revenues were \$551,475 more than total budgeted revenues, a variance of 2.0%. Total expenditures were \$469,890 more than budgeted, a variance of 1.8%.

The Agency's disbursements during the year ended June 30, 2009 exceeded the amount budgeted due to the American Recovery and Reinvestment Act (ARRA) funds. These funds were received after the final date to amend the Agency's budget with the State.

A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the required supplementary information section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the Agency had invested \$5,725,777, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers and audio-visual equipment. This is a net decrease of approximately \$133,007 from last year. This decrease was primarily due to the disposal of media collection items.

Prairie Lakes Area Education Agency 8 had depreciation expense of \$305,476 in fiscal 2009 and total accumulated depreciation of \$3,896,117 at June 30, 2009. More detailed information about capital assets is available in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2009, the Agency had \$2,300,000 in long-term debt outstanding compared to \$2,475,000 at June 30, 2008. At June 30, 2009, the Agency had \$1,104,492 in compensated absences compared to \$880,176 at June 30, 2008. More detailed information about the Agency's long-term liabilities is available in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the Agency was aware of existing circumstances that could significantly affect its financial health in the future:

- The Agency has experienced an annual decrease in the number of students enrolled in local districts for the past several years. That decrease is expected to continue, and since controlled funding is driven by the number of students enrolled, decreased funding from the state is anticipated for the upcoming fiscal year.
- The Agency has been notified to expect little or no increase in Federal IDEA funding for the immediate future.
- The Agency began construction of its new central facility located in Pocahontas, Iowa in October of 2005. Funding of the \$2,490,000 project was financed by the sale of lease certificates. Repayment of principal and interest began in December of 2005 and will continue until June of 2025 with an average yearly payment of \$183,091.
- The 2003 Legislature reduced the Agency's fiscal year 2003/2004 state aid by \$1,306,673 and also imposed a \$995,807 fund balance reduction. The 2004 and 2005 Legislatures extended the \$1,299,808 and \$1,433,562 reductions to fiscal years 2004/05 and 2005/06, respectively. While a portion of the reduction was restored for 2006/07 to an amount of \$1,160,503, for 2007/08 to \$956,134, and for 2008/09 to \$751,765. For 2009/10 the prorated reduction to the budget is \$838,852. Additionally, the 10% across the board budget cut implemented in October 2009 amounts to an additional reduction of \$727,480. Both of these are permanent losses of revenue that the Agency does not have any means to recoup. These reductions have impacted the Agency's ability to provide services to schools and will continue to do so in future years.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Financial Service's Office of Prairie Lakes Area Education Agency 8, at 1235 5th Ave South, Fort Dodge, Iowa 50501.

BASIC FINANCIAL STATEMENTS

PRAIRIE LAKES AREA EDUCATION AGENCY 8

STATEMENT OF NET ASSETS

June 30, 2009

	Governmental Activities
Assets	
Cash and pooled investments	\$ 5,593,884
Receivables:	
Accounts	150,083
Due from other governments	1,474,835
Inventories	62,934
Restricted ISCAP assets:	
Investments	1,223,064
Accrued interest receivable	151
Capital assets (net of accumulated depreciation)	5,725,777
Net OPEB asset	55,000
Total assets	14,285,728
Liabilities	
Payables:	
Accounts	331,160
Salaries and benefits payable	2,082,861
ISCAP warrants payable	1,204,000
ISCAP accrued interest payable	412
Deferred revenue:	
Federal	692,900
Other	127,909
Long-term liabilities:	
Portion due or payable within one year:	
Certificates of participation	145,000
Compensated absences	152,800
Early retirement obligation	122,413
Portion due or payable after one year:	
Certificates of participation	2,155,000
Early retirement obligation	829,279
Total liabilities	7,843,734

(Continued on next page)

PRAIRIE LAKES AREA EDUCATION AGENCY 8

**Exhibit A
(Continued)**

STATEMENT OF NET ASSETS

June 30, 2009

	Governmental Activities
Net Assets	
Invested in capital assets, net of related debt	\$ 3,425,777
Restricted for:	
Debt service	345,585
Unrestricted	<u>2,670,632</u>
Total net assets	<u>6,441,994</u>
Total liabilities and net assets	<u><u>\$ 14,285,728</u></u>

See Notes to Financial Statements.

PRAIRIE LAKES AREA EDUCATION AGENCY 8

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants and
			Contributions
Functions/Programs:			
Governmental Activities:			
Instruction	\$ 582,717	\$ 248,161	\$ 350,584
Student support services	11,872,110	-	9,252,063
Instructional staff support services	8,835,884	531,333	3,978,995
General administration	896,856	-	-
Business administration	972,020	-	-
Plant operations and maintenance	717,025	-	-
Central and other support services	2,566,444	266,282	89,894
Interest on long-term debt	105,624	-	-
Total governmental activities	\$ 26,548,680	\$ 1,045,776	\$ 13,671,536

General Revenues:

Property taxes, levied for general purposes
State Foundation aid
Unrestricted investment earnings

Change in net assets

Net assets beginning of year

Net assets end of year

See Notes to Financial Statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities		Total	
\$	16,028	\$	16,028
	(2,620,047)		(2,620,047)
	(4,325,556)		(4,325,556)
	(896,856)		(896,856)
	(972,020)		(972,020)
	(717,025)		(717,025)
	(2,210,268)		(2,210,268)
	(105,624)		(105,624)
	(11,831,368)		(11,831,368)
	5,709,278		5,709,278
	5,987,465		5,987,465
	88,887		88,887
	11,785,630		11,785,630
	(45,738)		(45,738)
	6,487,732		6,487,732
\$	6,441,994	\$	6,441,994

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009See Notes to Financial Statements.

Exhibit C

Nonmajor		Total	
\$	345,585	\$	5,593,884
	-		150,083
	-		1,474,835
	-		62,934
	-		1,223,064
	-		151
<hr/>		<hr/>	
\$	345,585	\$	8,504,951
<hr/>		<hr/>	

\$	-	\$	331,160
	-		2,082,861
	-		1,204,000
	-		412
	-		692,900
	-		127,909
<hr/>		<hr/>	
	-		4,439,242
<hr/>		<hr/>	

	-		62,934
	-		348,508
	-		74,622
	-		1,104,492
	345,585		2,475,153
<hr/>		<hr/>	
	345,585		4,065,709
<hr/>		<hr/>	
\$	345,585	\$	8,504,951
<hr/>		<hr/>	

RECONCILIATION OF THE BALANCE SHEET--

GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2009

Total governmental fund balances (page 14)	\$ 4,065,709
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$9,621,894 and the accumulated depreciation is \$3,896,117.	5,725,777
--	-----------

Long-term liabilities, including capital leases, compensated absences, and early retirement obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	(3,404,492)
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The Net OPEB Asset is not due and receivable in the current period and, therefore, not reported in the government funds.	<div style="border-top: 1px solid black; display: inline-block;">55,000</div>
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Net assets of governmental activities (page 12)	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 6,441,994</div>
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See Notes to Financial Statements.

PRAIRIE LAKES AREA EDUCATION AGENCY 8

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES -- GOVERNMENTAL FUNDS**

Year Ended June 30, 2009

	<div> <div>Special Revenue</div> <div>Special Education Instruction</div> </div>	
	General	Instruction
Revenues:		
Local sources	\$ 6,993,652	\$ 248,161
State sources	8,466,304	350,584
Federal sources	10,430,610	-
Total revenues	25,890,566	598,745
Expenditures:		
Current:		
Instruction	-	598,745
Student support services	11,653,983	-
Instructional staff support services	8,852,222	-
General administration	851,999	-
Business administration	1,024,100	-
Plant operations and maintenance	609,018	-
Central and other support services	2,550,666	-
Debt service	-	-
Total expenditures	25,541,988	598,745
Excess (deficiency) of revenues over (under) expenditures	348,578	-
Other financing sources (uses):		
Transfers in	-	-
Transfers out	(248,518)	-
Total financing sources (uses)	(248,518)	-
Net change in fund balances	100,060	-
Fund balances, beginning of year	3,620,064	-
Fund balances, end of year	\$ 3,720,124	\$ -

See Notes to Financial Statements.

Exhibit E

Nonmajor		Total	
<hr/>		<hr/>	
\$	13,631	\$	7,255,444
	-		8,816,888
	-		10,430,610
<hr/>		<hr/>	
	13,631		26,502,942
<hr/>		<hr/>	
	-		598,745
	-		11,653,983
	-		8,852,222
	-		851,999
	-		1,024,100
	-		609,018
	-		2,550,666
	280,624		280,624
<hr/>		<hr/>	
	280,624		26,421,357
<hr/>		<hr/>	
	(266,993)		81,585
<hr/>		<hr/>	
	248,518		248,518
	-		(248,518)
<hr/>		<hr/>	
	248,518		-
<hr/>		<hr/>	
	(18,475)		81,585
	364,060		3,984,124
<hr/>		<hr/>	
\$	345,585	\$	4,065,709
<hr/>		<hr/>	

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES --
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009**

Net change in fund balances - total governmental funds (page 16) \$ 81,585

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets. Capital outlay exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 190,789	
Depreciation expense	(305,476)	(114,687)

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. (18,320)

Certificates of participation provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of certificate principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which payments exceeded proceeds. 175,000

Compensated absences and early retirement obligation expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (224,316)

The Net OBEP Asset is not due and receivable in the current period and, therefore, not reported in the government funds. 55,000

Change in net assets of governmental activities (page 13) \$ (45,738)

See Notes to Financial Statements.

PRAIRIE LAKES AREA EDUCATION AGENCY 8

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Prairie Lakes Area Education Agency 8 is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 48 school districts and private schools in a 14-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

A. Reporting Entity:

For financial reporting purposes, Prairie Lakes Area Education Agency 8 has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. Prairie Lakes Area Education Agency 8 has no component units that meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation:

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents the Agency's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued):

Government-wide Financial Statements (continued) – The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The Agency reports the following major governmental funds:

The General Fund is the general operating fund of the Agency. All general revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Special Revenue, Special Education Instruction Fund is used to account for a program where the Area Education Agency employs teachers to provide instruction to special education pupils. The actual costs of providing instructional services to the pupils are billed to the individual school districts.

C. Measurement Focus and Basis of Accounting:

The Government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and other accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (continued):

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Assets, Liabilities and Fund Equity:

Cash and Pooled Investments – Cash includes amounts in demand deposits and money market funds. Investments are stated at fair value and non-negotiable certificates of deposit are stated at cost.

Inventories – Inventories are stated at cost using the first-in, first-out method and consist of expendable supplies and materials. The cost of these items is recorded as an expenditure at the time of consumption.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Land	No lower limit
Buildings	\$ 5,000
Vehicles	5,000
Furniture and equipment	5,000
Library books	Aggregated annual purchases

Property, furniture and equipment are depreciated using the straight-line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Vehicles	5
Furniture and equipment	10
Library books	5

Salaries and Benefits Payable – Payroll and related expenses for all licensed staff with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity (continued):

Deferred Revenue – Deferred revenue represents an excess of cash advances by the funding source over accrued expenditures at year end.

Compensated Absences – Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use. A liability has been recorded in the statement of net assets representing the Agency's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Note 2. Cash and Pooled Investments

The Agency's deposits in banks at June 30, 2009 were entirely covered by Federal depository insurance or by the State sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk: The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

NOTES TO FINANCIAL STATEMENTS

Note 3. Iowa School Cash Anticipation Program (ISCAP)

The Agency participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards, and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each participating entity is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and are provided monthly statements regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co., NA is trustee of the program. These accounts are reflected as restricted assets on the Statement of Net Assets and Balance Sheet.

A summary of the Agency's participation in ISCAP as of June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6/26/08	6/25/09	\$ -	\$ -	\$ -	\$ -
2009-10A	6/25/09	6/23/10	1,223,064	151	1,204,000	412
			<u>\$ 1,223,064</u>	<u>\$ 151</u>	<u>\$ 1,204,000</u>	<u>\$ 412</u>

The Agency pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, the Agency must repay the outstanding withdrawal from its General Fund receipts. In addition, the Agency must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ -	\$ 700,000	\$ 700,000	\$ -
2009-10A	-	-	-	-
	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ -</u>

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.500%	3.469%
2009-10A	2.500%	0.902%

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 166,912	\$ -	\$ -	\$ 166,912
Total capital assets not being depreciated	166,912	-	-	166,912
Capital assets being depreciated:				
Buildings and improvements	5,668,119	7,988	-	5,676,107
Furniture and equipment	801,351	57,373	-	858,724
Vehicles	112,999	-	-	112,999
Library books and films	2,747,577	125,428	65,853	2,807,152
Total capital assets being depreciated	9,330,046	190,789	65,853	9,454,982
Less accumulated depreciation for:				
Buildings and improvements	1,392,031	112,848	-	1,504,879
Furniture and equipment	326,791	70,238	-	397,029
Vehicles	86,207	13,629	-	99,836
Library books and films	1,833,145	108,761	47,533	1,894,373
	3,638,174	305,476	47,533	3,896,117
Total capital assets being depreciated, net	5,691,872	(114,687)	18,320	5,558,865
Governmental activities capital assets, net	\$ 5,858,784	\$ (114,687)	\$ 18,320	\$ 5,725,777

Depreciation expense was charged to functions of the Agency as follows:

Governmental activities:

Student support services	\$ 2,611
Instructional staff support services	117,784
General administration/Building administration	41,772
Plant operations and maintenance	129,679
Central and other support services	13,630
	<u>305,476</u>

Total governmental activities
depreciation expense

\$ 305,476

NOTES TO FINANCIAL STATEMENTS

Note 5. Changes in Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Certificates of Participation	\$ 2,475,000	\$ -	\$ 175,000	\$ 2,300,000	\$ 145,000
Compensated absences	152,222	14,351	13,773	152,800	152,800
Early retirement obligation	727,954	364,393	140,655	951,692	122,413
	<u>\$ 3,355,176</u>	<u>\$ 378,744</u>	<u>\$ 329,428</u>	<u>\$ 3,404,492</u>	<u>\$ 420,213</u>

Early Retirement Obligation:

The Agency offers a voluntary early retirement plan to its employees. Application requirements are as follows:

- 1) Employee must be 59 years of age or meet the Iowa Public Employees' Retirement System (IPERS) "Rule of 88" for eligibility prior to July 1 of the year in which retirement would commence.
- 2) Employee must have provided 15 years of full-time continuous service prior to July 1 of the retirement year.
- 3) Employee must submit application and resignation between January 1 and March 1 of the year of retirement.
- 4) Employee must currently be eligible and covered by the group health insurance plan of Prairie Lakes AEA.

All requests for retirement and acceptance of resignations must be approved by the Board of Directors.

For those employees who are approved for early retirement under this policy, the Agency will make a payment toward the single health insurance premium up to the rate effective for the \$750 deductible during the final year of employment. The insurance will be provided for the lesser of six years or through the month previous to the month the employee reaches normal Medicare eligibility. If an employee exercises IPERS "Rule of 88" for eligibility, before age 59, the employee shall be responsible for the insurance premium to reaching the age of 59, plus any increase in the insurance premium until normal Medicare eligibility. The health insurance benefit will discontinue if the retired employee takes another position after retirement that offers a benefit of paid health insurance or discontinues participation in the Agency's health insurance plan. The employee's continued participation in the program must be approved by the insurance carrier.

The purpose of the early retirement program is to provide qualifying employees an option to voluntarily retire at a time they may find beneficial and to provide economy and efficiency in the Agency.

NOTES TO FINANCIAL STATEMENTS

Note 5. Changes in Long-term Liabilities (Continued)

Early Retirement Obligation (Continued):

At June 30, 2009, the Agency has obligations to forty-three participants with a total liability of \$951,692. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$142,155. The Agency ended this policy effective July 1, 2009.

Certificates of Participation:

The Agency has sold Certificates of Participation for the acquisition, the remodeling and improvement of, and the installation of furnishings and equipment at the office facility in Storm Lake, Iowa for a total of \$1,500,000. The Certificates of Participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over a period of twenty years with an interest rate ranging from 5.85% to 6.75%. The following is a schedule by year of the future minimum payments required:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 45,000	\$ 10,700	\$ 55,700
2011	-	8,000	8,000
2012	-	8,000	8,000
2013	-	8,000	8,000
2014	-	8,000	8,000
Thereafter	125,000	16,000	141,000
	<u>\$ 170,000</u>	<u>\$ 58,700</u>	<u>\$ 228,700</u>

Payments for the certificates of participation for the year ended June 30, 2009, including interest, totaled \$95,500.

The Agency has sold Certificates of Participation for the construction of the office facility in Pocahontas, Iowa, for a total of \$2,490,000. The Certificates of Participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over a period of twenty years with an interest rate ranging from 3.5% to 4.35%. The following is a schedule by year of the future minimum payments required:

Payments for the Certificates of Participation for the year ended June 30, 2009, including interest total \$185,124.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 100,000	\$ 86,680	\$ 186,680
2011	100,000	83,055	183,055
2012	105,000	79,305	184,305
2013	110,000	75,368	185,368
2014	115,000	70,968	185,968
Thereafter	1,600,000	430,367	2,030,367
	<u>\$ 2,130,000</u>	<u>\$ 825,743</u>	<u>\$ 2,955,743</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Operating Leases

The Agency has leased various equipment and facilities within the area to support and house the different zones of the Agency. These leases have been classified as operating leases and accordingly, all rents are charged to expenditures as incurred. The leases expire between June 30, 2009 and September 30, 2016. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2009.

Year Ending June 30,	Amount
2010	\$ 240,568
2011	198,964
2012	187,144
2013	187,144
2014	84,675
Thereafter	159,951
	<u>\$ 1,058,446</u>

The total rental expenditures for the year ended June 30, 2009 for all operating leases, except those with terms of a month or less that were not renewed, was \$142,603.

Note 7. Lease of Office Space

The Agency, as lessor, leases 55% of a building as office space to several entities. The lease terms expire in various years through 2018 and range from \$6,000 to \$30,635 per lease annually.

At June 30, 2009 future minimum lease payments receivable under noncancelable operating leases are as follows:

Year Ending June 30,	Amount
2010	\$ 73,484
2011	73,484
2012	73,484
2013	42,848
2014	42,848
Thereafter	29,950
	<u>\$ 336,098</u>

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the Agency is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$911,423, \$838,123 and \$724,265, respectively, equal to the required contribution for each year.

Note 9. Other Postemployment Retirement Benefits (OPEB)

The Agency implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description The Agency operates a single-employer retiree benefit plan that provides a medical/prescription drug benefits for retirees and their spouses. There are 263 active and 43 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation The Agency's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Agency, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfounded actuarial liabilities over a period not to exceed 30 years.

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Retirement Benefits (OPEB) (Continued)

The following table shows the components of the Agency's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation:

Annual required contribution	\$ 240,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>240,000</u>
Contributions made	<u>295,000</u>
Increase in net OPEB obligation	<u>(55,000)</u>
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ (55,000)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the Agency contributed \$2,032,944 to the medical plan. Plan members eligible for benefits contributed \$579,091 or 22.17% of the premium cost.

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost	Net OPEB Contribution
June 30, 2009	\$ 240,000	122.92%	\$ (55,000)

Funded Status and Funding Progress As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$2,756,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,756,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$14,271,000, and the ratio of the UAAL to covered payroll was 19.31%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Retirement Benefits (OPEB) (Continued)

Projections for benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the Agency's funding policy. The projected annual medical trend rate is 11%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$505 per month for retirees less than age 65 and \$505 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 10. Risk Management

Prairie Lakes Area Education Agency 8 is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

PRAIRIE LAKES AREA EDUCATION AGENCY 8

REQUIRED SUPPLEMENTARY INFORMATION

PRAIRIE LAKES AREA EDUCATION AGENCY 8

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES -- BUDGET AND ACTUAL --
ALL GOVERNMENTAL FUNDS
Required Supplementary Information
Year Ended June 30, 2009**

	Governmental Fund Types Actual	Total Actual
Revenues:		
Local sources	\$ 7,255,444	\$ 7,255,444
State sources	8,816,888	8,816,888
Federal sources	10,430,610	10,430,610
Total revenues	26,502,942	26,502,942
Expenditures/Expenses:		
Current:		
Instruction	598,745	598,745
Student support services	11,653,983	11,653,983
Instructional staff support services	8,852,222	8,852,222
General administration	851,999	851,999
Business administration	1,024,100	1,024,100
Plant operations and maintenance	609,018	609,018
Central and other support services	2,550,666	2,550,666
Debt service	280,624	280,624
Total expenditures/expenses	26,421,357	26,421,357
Excess of revenues over expenditures/expenses	81,585	81,585
Balance, beginning of year	3,984,124	3,984,124
Balance, end of year	\$ 4,065,709	\$ 4,065,709

See accompanying Independent Auditor's Report.

Budget		Final to Actual Variance Favorable (Unfavorable)
Original	Final	
\$ 6,447,347	\$ 6,856,466	\$ 398,978
9,044,865	8,915,200	(98,312)
10,374,134	10,179,801	250,809
25,866,346	25,951,467	551,475
690,000	631,996	33,251
15,331,557	17,244,052	5,590,069
4,100,228	2,792,497	(6,059,725)
898,213	813,716	(38,283)
987,247	772,262	(251,838)
908,543	706,912	97,894
2,669,934	2,709,408	158,742
280,624	280,624	-
25,866,346	25,951,467	(469,890)
-	-	1,021,365
3,954,426	3,984,124	-
\$ 3,954,426	\$ 3,984,124	\$ 1,021,365

PRAIRIE LAKES AREA EDUCATION AGENCY 8
June 30, 2009

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

The Agency's Board of Directors annually prepares a budget on a basis consistent with accounting principles generally accepted in the United States of America. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure/expense level, not by fund. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

PRAIRIE LAKES AREA EDUCATION AGENCY 8

**SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN (In Thousands)**

**Required Supplementary Information
Year Ended June 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2008	\$ -	\$ 2,756	\$ 2,756	0.00%	\$ 14,271	19.31%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

PRAIRIE LAKES AREA EDUCATION AGENCY 8

Schedule 1

**BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND
Year Ended June 30, 2009**

	Assets	Debt Service
Cash and pooled investments		\$ 345,585
Total assets		<u>\$ 345,585</u>
	Liabilities and Fund Balances	
Liabilities:		
Total liabilities		<u>\$ -</u>
Fund balances:		
Unreserved:		
Undesignated		<u>345,585</u>
Total fund balances		<u>345,585</u>
Total liabilities and fund balances		<u>\$ 345,585</u>

See Accompanying Independent Auditor's Report.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND
Year Ended June 30, 2009**

	Debt Service
Revenues:	
Local sources	\$ 13,631
Total revenues	<u>13,631</u>
Expenditures:	
Debt service	280,624
Total expenditures	<u>280,624</u>
(Deficiency) of revenues (under) expenditures	(266,993)
Other financing sources:	
Transfers in	<u>248,518</u>
Excess of expenditures and other financing uses over revenues and other financing sources	(18,475)
Fund balances beginning of year	<u>364,060</u>
Fund balances end of year	<u><u>\$ 345,585</u></u>

See accompanying Independent Auditor's Report.

PRAIRIE LAKES AREA EDUCATION AGENCY 8

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES

BY FUNCTION -- ALL GOVERNMENTAL FUNDS

For the Last Six Years

	Modified Accrual Years Ended		
	2009	2008	2007
Revenues:			
Local	\$ 7,255,444	\$ 6,997,952	\$ 6,592,704
State	8,816,888	8,029,311	6,958,751
Federal	10,430,610	9,675,510	9,890,074
Total	\$ 26,502,942	\$ 24,702,773	\$ 23,441,529
Expenditures:			
Current:			
Instruction	\$ 598,745 ✓	\$ 600,462	\$ 649,697
Student support services	11,653,983	16,383,637	13,731,170
Instructional staff support services	8,852,222	2,653,162	3,797,579
General administration	851,999	773,114	831,913
Business administration	1,024,100	733,729	914,375
Plant operations and maintenance	609,018	671,640	841,481
Central and other support services	2,550,666	2,579,110	2,472,812
Facilities acquisition and construction	-	60	308,677
Debt service	280,624	278,161	886,673
Total	\$ 26,421,357	\$ 24,673,075	\$ 24,434,377

See accompanying independent auditor's report.

Schedule 3

Basis		
June 30,		
2006	2005	2004
\$ 9,443,187	\$ 6,136,669	\$ 5,861,125
6,089,199	6,570,193	6,120,635
9,574,428	8,149,680	7,381,258
<hr/>		
\$ 25,106,814	\$ 20,856,542	\$ 19,363,018
<hr/>		
\$ 600,311	\$ 733,004	\$ 898,938
12,479,304	10,999,916	9,657,645
3,901,029	4,436,652	1,938,988
1,908,045	1,621,130	985,195
1,510,205	537,537	1,179,877
904,188	526,417	672,402
859,689	860,179	3,753,846
2,199,463	-	-
279,652	135,641	133,288
<hr/>		
\$ 24,641,886	\$ 19,850,476	\$ 19,220,179
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2009

Project Title	CFDA Number	Pass-through Grantor's Number	Expenditures
U. S. Department of Education:			
Passed-through Iowa Department of Education:			
Education of Handicapped Act (EHA) Part B - 94-142:			
Special Education - Grants to States (IDEA, Part 3):			
Early Childhood Education for the Handicapped - ARRA	84.391**	A-RKB1-08	\$ 94,974
Early Childhood Education for the Handicapped - ARRA	84.391**	L-RKB2-08	941,892
Early Childhood Education for the Handicapped	84.027*	080908	6,301,231
Early Childhood Education for the Handicapped	84.027*	9KB2-08	1,739,605
Special Education - Preschool Grants (IDEA	84.173	08619-08	264,774
Special Education - Grants for Infants and Families with Disabilities - 94-142 Part C:			
Early Childhood Professional Development - Section 619	84.173	FECPD08-09	28,841
IDEA, Part C, Infants and Toddlers	84.181	C08-08 (8KC3)	203,047
Special Education - Grants to States (IDEA, Part 3) -			
Parent Educator Connection Project	84.027*	87408	89,894
Instructional Decision Making	84.027*	8K79-08	64,680
Early Childhood & School Age Language for	84.027*		3,000
Secondary Professional Development Grant	84.323A	SPDG-09	28,695
Digging into Transition Assessment	84.323A	SPDG-09	2,835
Transition Assessment Content Coaches	84.323A	SPDG-09	4,440
Systemic Transition Enhancement Program	84.126	08-STEP-02	62,155
Second Chance Reading	84.323		2,000
Cognitive Guided Instruction	84.323		11,680
Service Learning Grant	94.004	09SL8	4,273
Technology Literacy Challenge/E2T2	84.318	6TL3	248,158
Every Learner Inquires Science Initiative	84.366	6TQ2	5,300
Reading First	84.357		28,627
Title II Part A - Federal Teacher Quality Program	84.367		6,691
Our Kids Summer Institute	84.215	6EL1	27,500
Title III ELL/LEP	84.365		190,228
Total U. S. Department of Education			10,354,520

(Continued on next page)

PRAIRIE LAKES AREA EDUCATION AGENCY 8

Schedule 4
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2009

		Pass-through	
	CFDA	Grantor's	
Project Title	Number	Number	Expenditures
U. S. Department of Health and Human Services:			
Passed-Through Iowa Department of Human Services:			
Medical Assistance Program Title 19 Medicaid Reimbursement:			
Title 19 Medicaid Reimbursement	93.778		\$ 11,477
Part C Infants & Toddlers Reimbursement	93.778		29,018
Temporary Assistance for Needy Families (TANF)	93.558		35,595
Total Department of Health and Human Services			76,090
Total Expenditures of Federal Awards			\$ 10,430,610

* Total expenditures for CFDA Number 84.027 were \$8,198,410.

** Total expenditures for CFDA Number 84.391 were \$1,036,866.

Basis of Presentation: The Schedule of Expenditures of Federal Awards includes the federal grant activity of Prairie Lakes Area Education Agency 8 and is presented on the modified accrual basis. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying Independent Auditor's Report.

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

PRAIRIE LAKES AREA EDUCATION AGENCY 8



SCHNURR & COMPANY, LLP

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Prairie Lakes Area Education Agency 8
Fort Dodge, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Prairie Lakes Area Education Agency 8 (the "Agency"), as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements listed in the table of contents, and have issued our report thereon dated November 10, 2009. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing our opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with US general accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we believe item II-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of non-compliance or other matters that is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Agency's responses, we did not audit the Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Agency, and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Prairie Lakes Area Education Agency 8 during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnarr & Company, LLP

Fort Dodge, Iowa
November 10, 2009

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

PRAIRIE LAKES AREA EDUCATION AGENCY 8



SCHNURR & COMPANY, LLP

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Prairie Lakes Area Education Agency 8
Fort Dodge, Iowa

Compliance

We have audited the compliance of Prairie Lakes Area Education Agency 8 (the "Agency") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Agency's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Agency's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies, including a material weakness.

A control deficiency in the Agency's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Agency's internal control. Of the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item III-A-09 to be a material weakness.

The Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the Agency's responses, we did not audit the Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Agency and other parties to whom the Agency may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Schnarr & Company, LLP

Fort Dodge, Iowa
November 10, 2009

PRAIRIE LAKES AREA EDUCATION AGENCY 8

Schedule of Findings and Questioned Costs Year Ended June 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were
 - Clustered Programs
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.173 – Special Education – Preschool Grants
 - CFDA Number 84.391 – ARRA – Special Education Grants to States Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Prairie Lakes Area Education Agency 8 qualified as a low-risk auditee.

Part II: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

II-A-09 Segregation of Duties: One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. We noted that the preparation of the deposit, cash receipts journal, maintenance of accounts receivable subsidiary ledger, general journal preparation and account write-offs are all controlled by one person.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances.

PRAIRIE LAKES AREA EDUCATION AGENCY 8
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Part II: Findings Related to the General Purpose Financial Statements (Continued):

Significant Deficiency (continued):

II-A-09 Response: We will investigate available alternatives and implement as soon as possible.

Conclusion: Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

All programs displayed on the schedule of expenditures of Federal awards.

III-A-09 Segregation of Duties: The Agency did not properly segregate record keeping and reconciling functions for cash receipts, including those related to Federal programs. See audit finding II-A-09.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Budget: Expenditures during the year ended June 30, 2009 did exceed the amount budgeted.

IV-B-09 Questionable Expenditures: No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-09 Travel Expense: No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

IV-D-09 Business Transactions: No business transactions between the Agency and Agency officials or employees were noted.

IV-E-09 Bond Coverage: Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-F-09 Board Minutes: No transactions were found that we believe should have been approved in the Board minutes, but were not.

IV-G-09 Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted.

PRAIRIE LAKES AREA EDUCATION AGENCY 8

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009**

Part IV: Other Findings Related to Required Statutory Reporting (Continued):

- IV-H-09 Certified Annual Report: The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-I-09 Categorical Funding: No instances were noted of categorical funding used to supplant rather than supplement other funds.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Prairie Lakes Area Education Agency 8 during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnarr & Company, LLP

Fort Dodge, Iowa
November 10, 2009